
UNITED ASSOCIATION LOCAL NO. 198

EDUCATIONAL FUND

FINANCIAL STATEMENTS

AUGUST 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

3/23/11



Postlethwaite
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UNITED ASSOCIATION LOCAL NO. 198

EDUCATIONAL FUND

FINANCIAL STATEMENTS

AUGUST 31, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees

United Association of Journeymen and Apprentices of the Plumbing and Pipe

Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO Educational Fund

Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO Educational Fund (referred to as the UA 198 Educational Fund or the Fund) as of August 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UA 198 Educational Fund as of August 31, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2011, on our consideration of the UA 198 Educational Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana

February 22, 2011

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated)
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 502,135	\$ 478,449
Accounts receivable (net of allowances for doubtful accounts of \$17,723, and \$0 respectively)	25,753	84,085
Prepaid expenses	7,546	8,112
Inventory	19,725	17,502
Total current assets	<u>555,159</u>	<u>588,148</u>
<u>PROPERTY AND EQUIPMENT - at cost</u>		
Buildings	416,817	411,217
Automotive	23,206	23,206
Office and school equipment	112,931	117,580
Computer equipment	16,034	18,142
	<u>568,988</u>	<u>570,145</u>
Less: Accumulated depreciation	<u>(519,558)</u>	<u>(511,843)</u>
	<u>49,430</u>	<u>58,302</u>
<u>TOTAL ASSETS</u>	<u>\$ 604,589</u>	<u>\$ 646,450</u>

The accompanying notes are an integral part of these financial statements.

	<u>2010</u>	<u>2009 (Restated)</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 14,173	\$ 11,400
Payroll taxes payable	5,882	6,937
Total current liabilities	<u>20,055</u>	<u>18,337</u>
<u>NET ASSETS</u>		
Unrestricted	584,534	628,113
Total net assets	<u>584,534</u>	<u>628,113</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 604,589</u>	 <u>\$ 646,450</u>

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (restated)
<u>REVENUES</u>		
Employer contributions	\$ 221,101	\$ 189,336
Investment income - interest	22	5,603
Book sales	19,125	11,910
Grant revenue - City of Baton Rouge, Workforce Investment Board	117,833	61,447
Grant revenue - International Training Fund	7,381	29,744
Other income	5,868	7,689
Total revenues	<u>371,330</u>	<u>305,729</u>
<u>EXPENSES</u>		
General		
Auditing and tax returns	7,500	6,500
Bad debt expense	17,724	-
Building maintenance and supplies	21,305	33,725
Depreciation	14,472	16,283
Insurance	12,742	15,101
Legal	1,622	898
Miscellaneous	6,240	6,238
Rent	15,000	15,000
Telephone	3,448	3,878
Utilities	18,990	21,069
	<u>119,043</u>	<u>118,692</u>
Program		
Salaries	95,211	92,766
Payroll taxes and benefits	66,265	65,142
School and training supplies	21,369	27,949
Travel and meeting expense	14,515	18,783
Miscellaneous	10,497	20,757
Fall Welding Program	9,205	-
Summer youth program	78,804	32,605
	<u>295,866</u>	<u>258,002</u>
Total expenses	<u>414,909</u>	<u>376,694</u>
Change in net assets	<u>(43,579)</u>	<u>(70,965)</u>
<u>NET ASSETS - UNRESTRICTED</u>		
Beginning of year, as previously reported	615,948	699,078
Correction of error	<u>12,165</u>	<u>-</u>
Beginning of year, as restated	<u>628,113</u>	<u>-</u>
End of year	<u>\$ 584,534</u>	<u>\$ 628,113</u>

The accompanying notes are an integral part of these financial statements.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL-CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (restated)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (43,579)	\$ (70,965)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	14,472	16,283
Provision for doubtful accounts	17,724	-
Changes in operating assets and liabilities:		
Receivables	40,608	(57,025)
Inventory	(2,223)	(10,025)
Prepaid expenses	566	291
Accounts payable	2,773	(13,259)
Payroll taxes payable	(1,055)	2,592
Net cash provided by (used in) operating activities	<u>29,286</u>	<u>(132,108)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of equipment and vehicles	<u>(5,600)</u>	<u>(22,900)</u>
Net cash used in investing activities	<u>(5,600)</u>	<u>(22,900)</u>
Net change in cash and cash equivalents	23,686	(155,008)
Cash and cash equivalents, beginning of year	<u>478,449</u>	<u>633,457</u>
Cash and cash equivalents, end of year	<u>\$ 502,135</u>	<u>\$ 478,449</u>

The accompanying notes are an integral part of these financial statements.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Description of Fund

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL - CIO Educational Fund (Educational Fund or Fund) operates under an agreement between participating contractors and the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL - CIO (the Labor Union or Union). The agreement provides, among other things, for employers of members of the Union to make contributions to the Fund for each hour of covered employment.

The Fund provides education and apprenticeship training to eligible participants as specified in the trust agreement.

2. Significant Accounting Policies

Basis of Accounting

The Fund prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows generally accepted accounting principles (GAAP), which requires the Fund to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund did not have any temporary or permanently restricted net assets at August 31, 2010 or 2009.

Accounts Receivable

The Fund periodically evaluates the balances in various aging categories, as well as the status of any significant past due accounts, to determine if any balances are uncollectable. However, interest is not charged on past due accounts receivable.

An allowance for uncollectible receivables was established for the year ended August 31, 2010. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations.

Inventory

Inventory of educational material is carried at the lower of cost or market determined by utilizing the specific identification method.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO
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NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Property and Equipment

Buildings and equipment are carried at cost and depreciated using the straight line method over the estimated useful lives of the assets: 5 years for automotive, 3 to 10 years for equipment, and from 25 to 50 years for buildings and improvements. Maintenance, repairs, and minor replacements are charged to expense as incurred. When property and equipment is sold or retired, the costs and accumulated depreciation are removed, and gains and losses are recognized.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash Flow Statements

For the purposes of the Statements of Cash Flows, the Fund considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Reclassifications

Certain amounts have been reclassified from the August 31, 2009 financial statements in order to conform with the presentation as of August 31, 2010.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

Income Taxes

The Fund is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Fund has a letter from the IRS dated March 29, 1961, stating such exemption. Management believes that the Fund is operating in accordance with the Internal Revenue Code and, therefore, is still considered exempt.

On January 1, 2009, the Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization's administration has evaluated its position regarding the accounting for uncertain income tax positions. The Organization's administration recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization's administration does not believe that it has any material uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before 2007.

Recent accounting pronouncements

Effective July 1, 2009, the Fund adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification is superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Fund as of August 31, 2009.

3. Custodial Credit Risk

There are times the Funds cash balances with financial institutions may be in excess of the FDIC insured limits. The Fund has not experienced any losses in its cash accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
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NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions

UA Local 198 Pension Fund and UA 198 Health and Welfare Fund are related parties to the Educational Fund because the same covered employees are members of the union and receive benefits from the Welfare plan.

The Fund leases the welding school building from UA Local 198 for \$1,250 per month or \$15,000 annually. The lessee may terminate the lease by giving a thirty day notice without further liability. As of August 31, 1996, the term of the lease expired. The Fund is presently leasing the building on a month to month basis. Rent paid totaled \$15,000 for the years ended August 31, 2010 and 2009. The appraised value of the building as of August 25, 2009 was \$465,000.

Each year the United Association Local No. 198 Health and Welfare Fund charges a fee to the Fund for administrative services including facilities and personnel provided. For the years ended August 31, 2010 and 2009, the fee was \$6,000.

5. Significant Employer Contributions

During the year ended August 31, 2010, the Fund received contributions from individual employers totaling greater than 10% of total employer contributions. Those employers contributing in excess of 10% are shown below:

	<u>2010</u>	<u>2009</u>
Turner Industries	<u>28%</u>	<u>25%</u>
Bernhard Mechanical	<u>12%</u>	<u>17%</u>
Johnson Controls, Inc.	<u>16%</u>	<u>16%</u>

Accounts receivable from the above employers totaled \$15,699 at August 31, 2010 and \$20,506 at August 31, 2009.

6. Grants

The Fund entered into an agreement with the City of Baton Rouge, Parish of East Baton Rouge, Baton Rouge Workforce Investment Board, to offer classroom instruction related to the Workforce Investment Act. The agreement was for the period of January 1, 2009 through December 31, 2009. The Fund provided instruction to eligible individuals in order to obtain the occupational skills necessary to secure employment. The classroom instruction was an approved curriculum and course work described by the Industry Training Authority. During the term of the grant the Fund held two 16-week training courses; one began June 29, 2009 and the second class began in September of 2009. Revenue related to the agreement for fiscal year 2010 and 2009 was \$117,833 and \$61,447, respectively.

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OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 22, 2011, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

8. Restatement of Prior Year Financial Statements

The accompanying financial statements for 2009 have been restated to correct an error in which accounts payable were overstated. The effect of the restatement was to increase net income for 2009 by decreasing expenses and accounts payable by \$12,165. Beginning net assets for 2010 were increased by \$12,165.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees

United Association of Journeymen and Apprentices of the Plumbing and Pipe

Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO Educational Fund

Baton Rouge, Louisiana

We have audited the financial statements of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local No. 198 AFL – CIO, Educational Fund, (the Fund), as of and for the year ended August 31, 2010, and have issued our report thereon dated February 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1 and 2010-2 to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Fund's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Fund's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Trustees, Management, and The State of Louisiana Legislative Auditors Office and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Nettewille

Baton Rouge, Louisiana
February 22, 2011

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPE FITTING INDUSTRY
OF THE UNITED STATES AND CANADA, LOCAL NO. 198 AFL - CIO
EDUCATIONAL FUND
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Audit Results

- 1) The auditors' report expressed an unqualified opinion on the financial statements of the Fund as of and for the year ended August 31, 2010.

B. Findings and Questioned Costs

2010-1 Financial Reporting
(Repeat finding of 2009-1)

Condition: As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures.

Criteria: The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Fund, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Cause: No procedures in place to prepare the financial statements and related notes.

Questioned Cost:
None

Effect: Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Fund meets the definition of a significant deficiency.

Recommendation:
We recommend that management continue to assess the complexity of disclosures and evaluate the potential need for assistance in the preparation of their financial statements and related notes.

View of Responsible Official and Planned Corrective Action:

Management takes full responsibility for all financial statements and their related disclosures. In doing so, Management provides all information needed to prepare the financial statements and their related disclosures to its auditors. Management does not believe that there are any complex disclosures and as a result relies on the auditors to draft the financial statements and related notes.

B. Findings and Questioned Costs (continued)

2010-2 Financial Reporting

(Repeat finding of 2009-2)

Condition: Although the year-end audited financial statements are adjusted to the accrual basis of accounting, the Fund maintains its books on a cash basis.

Criteria: Recording transactions on an accrual basis is in accordance with generally accepted accounting principles, and it provides more meaningful financial information.

Cause: No procedures in place to record accrual adjustments.

Questioned Cost:
None

Effect: We realize the cash basis method of accounting is easy to administer and understand. We also understand that the procedure to maintain the accounting records on an accrual basis throughout the year can be a time-consuming task.

Recommendation:

We recommend that you consider a procedure in which books are kept on a cash basis, and accrual adjustments are made only at year-end. Interim financial statements could then be maintained on the cash basis to simplify the monthly closing procedures. This practice would enable the Fund to enjoy the best features of both methods: properly adjusted accrual financial statements for year-end accounting, and more easily produced interim financial statements for monthly reporting.

View of Responsible Official and Planned Corrective Action:

For internal reporting purposes Management uses the cash basis of accounting. Management provides all information needed to prepare the financial statements and their related disclosures on the accrual basis of accounting to its auditors. Management does not intend to change its internal reporting practices.

C. Prior Year Findings and Questioned Costs

2009-1 and 2009-2 are repeat findings in 2010.